PROCEEDINGS
of
THE TRAVANCORE SRI MULAM ASSEMBLY.

(OFFICIAL REPORT.)

SECOND ASSEMBLY.

FIRST SESSION.

Wednesday, the 21st July 1937/6th Karkatakam 1112.

The Assembly met in Joint Session with the Sri Chitra State Council in the Victoria Jubilee Town Hall at Eleven of the Clock, the President, Sachivottama Sir C. P. Ramaswami Aiyar, presiding.

RAO BAHADUR A. RANGASWAMI AIYAR (*Financial Secretary to Government*): Sir, I rise to present the Budget Estimates and the usual financial statements for the year 1113, which is my second budget.

Before reviewing the financial position for the current and ensuing years, I shall explain briefly the results of the last completed financial year (1111 M. E.)

ACTUALS 1111.

2. The ordinary revenue and expenditure charged to revenue for the year 1111 were Rs 231·88 lakhs and Rs 235·94 lakhs respectively against the revised estimates of Rs 229·28 lakhs and Rs 234·34 lakhs respectively. The year 1111 thus closed with a deficit of Rs 4·06 lakhs as against a deficit of Rs 5·06 lakhs anticipated in the revised estimates. This was the result of an improvement in the anticipated revenue by Rs 2·60 lakhs off-set by an increase in expenditure by Rs 1·60 lakhs. The increase under revenue occurred chiefly under Land Revenue (·72). Stamps (1·13), Scientific and Miscellaneous Departments (1·35), Buildings, Communications, etc., (1·40) and Willingdon Water Works (·46). Under Land Revenue the increase was due to better collections especially under old arrears, towards the closing months of 1111. While revising the estimates under revenue on Stamps about this time last year a decrease of Rs 4·50 lakhs was expected due to the economic depression. But the actual fall amounted only to Rs 3·37 lakhs. The increase in revenue under Scientific and Miscellaneous Departments was chiefly under Mining Royalty due to the receipt of arrears due from the Travancore Minerals Co., Ltd. Under Buildings, Communications etc., there were larger receipts under "Toll" and "Workshop Revenue

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Receipts." The improvement in revenue under Willingdon Water Works was chiefly due to the contribution of Rs. 1 lakh paid by the Trivandrum Municipality.

On the expenditure side, there was a net increase in expenditure of Rs 1·60 lakhs. The main increase was under Medical, Public Health and Sanitation (·37), Buildings. Communications etc. (1·07), Army (·46) and Superannuation allowances and pensions (·46). The receipts from the sale of Government lands, and Capital expenditure not charged to revenue amounted to Rs ·86 of a lakh, and Rs. 21·83 lakhs, respectively against the revised estimates of Rs ·85 of a lakh and Rs 23·74 lakhs.

As a result of the year's transactions, both ordinary and capital, the Government balance which was expected to stand at Rs 80·27 lakhs amounted to Rs 83·14 lakhs at the close of the year.

REVISED ESTIMATES FOR 1112.

3. The budget estimates for the current year were framed for a total revenue of Rs. 245·92 lakhs and provided for a programme of expenditure of Rs. 242·38 lakhs, thus anticipating a revenue surplus of Rs 3·54 lakhs. During the budget discussions of last year, several members criticised strongly the estimates, particularly those of revenue as being too sanguine and difficult of realisation. I remember Rao Sahib Mahakavi Ullur S. Parameswara Aiyar advising me in his speech on the occasion to pray to God that I may be able to realise my expectations in this respect, without suffering keen disappointment like my predecessors. As a result of our prayers and mainly because of the energetic drive of the present Dewan, who assumed charge shortly after the last budget, whose career is, as you all know, characterised by uniform good fortune and prosperity, and whose touch converts everything into gold, I am today in the happy position of being able to announce that on the basis of the actuals so far available, our revenue is expected to stand at Rs. 251·54 lakhs, a peak point never before reached in the annals of the State, and expenditure at Rs 240·02 lakhs, and that the revenue surplus for the year is now expected to amount to Rs 11·52 lakhs, which is the highest figure on record since 1104. Even allowing for the subsequent levy of supertax during the year which accounts for a yield of Rs ·70 of a lakh only, the results show a net improvement of Rs 7·28 lakhs over the budget estimates.

4. The ordinary revenue of the year is expected to be better than the budget anticipation by Rs 5·62 lakhs. The expected increases are mainly under Land Revenue (2·46), Taxes on Income (·79), Excise (1·94), Stamps (2·46), Registration (·57) and Scientific and Miscellaneous Departments (·79). The improvement under Land Revenue is due to the better collection of the accumulated arrears. I may mention here that as a result of the representations made on behalf of Nanjinad Ryots, additional relief amounting to about Rs 22,400 was sanctioned during the current year in respect of about 12,283 acres of dry land conversions and about 3,335 acres of Ayacut wet lands left fallow in the

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Kodayar commanded area for the Kanni crop of 1111 M. E. owing to the non-supply of water from the Kodayar Reservoir. Under Taxes on Income, the increase is due mainly to the imposition of supertax during the year which is expected to bring in a revenue of Rs ·70 of a lakh. Excise revenue is expected to be better than the budget by Rs 1·94 lakhs of which Rs ·95 of a lakh is under Tobacco, due to the steps taken by Government to prevent the existing organised smuggling of tobacco through the Northern Frontiers. Abkari and Opium revenue is expected to bring in an increase of Rs ·99 of a lakh on account of better collections. When the budget estimates for the current year were framed, it was considered that with the passing of the Agriculturists' Relief Regulation III of 1112, and the constitution of the Debt Conciliation Boards, the revenue from Stamps and Registration will be seriously affected on account of fall in the number of litigations and registration of document and consequently there would be a substantial decrease in the revenue under these heads. But as the Debt Conciliation Boards, have only recently been constituted, the revenue under these major heads is expected to be better than the original anticipation by Rs 2·46 lakhs and Rs. ·57 of a lakh respectively. The increase under Registration is also due to the registration during the year of a number of new joint stock companies with large capital. The increase of Rs ·79 of a lakh under Scientific and Miscellaneous Departments is under Mining, the expected receipts during the year being Rs 1·39 lakhs against Rs ·60 of a lakh anticipated in the budget. Decreases are expected under some of the major heads of revenue of which the important ones are Customs (2·17), Interest (·86), Industries (·98) and The Willingdon Water Works, Trivandrum (·45). Under Customs, the expected fall is mainly under exports, due to lesser export of pepper for want of favourable foreign markets. In the Alleppey Sea Customs alone, the export duty on pepper has declined by Rs 1·30 lakhs up to the end of Medom this year. It is also due to the decline under import duty on broken rise which alone accounted for a revenue of Rs ·71 of a lakh to the end of Medom last year, while there was no import during the corresponding period this year. The reduction of the rate of interest on the capital outlay on the Pallivasal Hydro-Electric Scheme during the period of construction from five per cent. to four per cent. per annum from the beginning of the current year, with a view to avoid over-loading the capital account, accounts for the fall under Interest receipts. Under Industries, the decrease is due to the fact that during the year, the Rubber Factory which was expected to bring in a receipt of Rs. 1·30 lakhs was leased out to a joint stock company for a period of 10 years. The contribution by the Trivandrum Municipality towards the working expenses of the Willingdon Water Works including the 2nd stage was estimated at Rs. 1·15 lakhs in the budget for the year. It has now been decided that the contribution be fixed at Rs. 75,000 for each of the years 1111 and 1112 and Rs. 82,500 for 1113. Since the Municipality remitted Rs 1 lakh in 1111 against Rs 75,000 only due, the excess has been deducted from the current year's receipts. This accounts for the fall under the major head "The Willingdon Water Works."

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5. On the expenditure side, a net decrease of Rs 2·37 lakhs or nearly one per cent. of the estimated expenditure is anticipated. The chief items which contribute to this saving are Forests (·51), Palace (1·44), Education (·84), Industries (1·14) and Army (1·74). The decrease of expenditure under Forests is under Conservancy and Works, due to expected savings in working expenses, Under Palace, the decrease is due to the re-classification of the items of expenditure included under this group with effect from the beginning of the current year according to which the Palace Civil list alone is shown under this group and the remaining items have been transferred to other major heads closely related to the nature of the expenditure provided for. This accounts for the increased expenditure under the major heads, Political Pensions and Miscellaneous Political expenditure. Expenditure on education is expected to be less than the budget by Rs ·84 of a lakh, the saving being mainly under salaries. It is also due to the retrenchment of expenditure effected in the department of which the important items were the abolition of the Thiruvella English Middle School for Girls, the abolition of Manual Training in the Training College and Schools, the reduction of His Highness the Maharaja's College for Women to the II grade, etc. As already explained in para 4 above, the decrease under Industries is due to the transfer of the Rubber Factory from Government management to a limited company on lease for a period of 10 years. The estimated saving under Army is due to the fact that the strength of the Forces has not been brought up to the full sanctioned number. Increased expenditure is also expected under Buildings, Communications and Miscellaneous Public Improvements 2·26, due to the additional grants sanctioned in the course of the year for urgent works.

6. On the Capital section, Sale proceeds of Government lands are expected to bring in Rs 1·40 lakhs as against Rs. 1·50 lakhs anticipated in the budget, while the capital outlay on Non productive Schemes is now estimated to amount to Rs. 18·90 lakhs against the budgeted expenditure of Rs 43·24 lakhs.

7. Under the tentative arrangements entered into by Government with the State Aided Bank of Travancore, Ltd., Alleppey, *vide* Press Communiques dated 9th and 20th September 1936 issued by Government, Government agreed to waive Bh. Rs 2½ lakhs out of the cash credit advance of Bh. Rs 5 lakhs on certain conditions. The Bank have now fulfilled those conditions and provision has therefore been made for the write-off of the sum of Bh. Rs 2½ lakhs as Capital loss on investments in the accounts of the current year. In the result, a net outgoing of Rs 8·53 lakhs is expected against Rs 38·20 lakhs anticipated in the budget. The Government Account balance which was Rs 83·14 lakhs at the beginning of the year is now expected to be reduced to Rs 74·61 lakhs at the close of the current year.

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BUDGET ESTIMATES FOR 1113.

8. I shall now pass on to the budget estimates of the coming year. I would invite your attention to the memorable and comprehensive address delivered by the Dewan at the Joint Session of the Assembly and Council just a month ago, explaining in detail the policy and programme of Government in regard to all important matters, administrative, financial, industrial, commercial, agricultural, etc. The budget estimates embody proposals to implement the plans out-lined in the address as far as possible, having regard to the resources available and have been prepared on the basis of normal expectations in regard to the continuance of the present conditions.

9 The budget estimates for the next year have been prepared on the expectation of a total revenue of Rs. 249·48 lakhs and the programme of expenditure chargeable to the year's income has been fixed at Rs 246·88 lakhs, leaving a small surplus of Rs 2·60 lakhs. Capital receipts are expected to bring in Rs 4·01 lakhs and our programme of Capital expenditure on Non-productive works is estimated at Rs 39·32 lakhs, Productive works to the extent of Rs. 47·28 lakhs being provided under the Debt section of the budget. The anticipated Capital loss of Rs 1·58 lakhs on our investments in the Travancore Sugars is also proposed to be written off the accounts in the next year. We shall thus be drawing from our accumulated surplus, Rs 34·29 lakhs in the next year. In the result, the Government Account balance is expected to be reduced from Rs 74·61 lakhs to Rs 40·32 lakhs at the close of 1113. This is mainly due to the new system adopted in relation to Capital expenditure.

REVENUE.

10. The budgeted revenue for the next year is Rs 249·48 lakhs as against the current year's anticipated revenue of Rs. 251·54 lakhs While improvement in revenue to the extent of Rs. 9·85 lakhs is expected under some of the revenue heads, a decline of Rs 11·91 lakhs is expected under others of which Rs 11·03 lakhs is under Customs revenue. The items which contribute to the increase are mainly Taxes on Income (1·71), Excise (2·26), Excise duty on matches (·77) Interest (1·62), Industries (·80), Currency and Mint (1·04), and Miscellaneous (·35). The increase under Income tax is expected mainly under Income derived from business and Supertax as a result of the revision of income-tax rates and the measures proposed to be adopted against evasion of payment of tax. Under Excise, improvement in revenue is expected both under Tobacco, and Abkari, and Opium to the extent of Rs 1·75 lakhs and Rs. ·51 of a lakh respectively. As a result of the special measures proposed to be adopted to check effectively smuggling of tobacco through the Northern Frontiers, it is expected that the increase in revenue estimated for the next year will be realised. Under Abkari and Opium, the expected increase is on account of the collection of a portion of the arrears of Excise revenue which now stand at Rs 9 lakhs. Under Excise duty on

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matches, the anticipated increase is under contribution from the Government of India out of the pool of the receipts for the whole of India for the year ended March 1937. It may be mentioned that our share of the proceeds of this duty does not depend on the actual collections in this State, but on our total population. Interest receipts are expected to be better than the revised estimate by Rs 1·62 lakhs, due partly to the adjustment of interest on the growing capital outlay on the Pallivasal Hydro-Electric Scheme and partly to increased receipts from the Current and Fixed deposits in the Bank. The receipts anticipated on account of the sale of manufactured articles and raw materials in the Government Rubber Factory to the new Company recently floated and the Government's share of the profits in the working of the Travancore Sugars & Chemicals, Ltd., which is estimated at Rs 30,000, account for the increase under Industries. The new silver coins for the face value of Rs 2 lakhs for which orders have been placed with the Birmingham Mint in the current year are expected to arrive only early next year and will be credited in the accounts of 1113. The gain thereon and that on the minting of copper coins in the Government Mint, account for the increase under Currency and Mint. In connection with the contract for the supply of Penstock pipes for the Pallivasal Hydro-Electric Scheme, by a firm in Poland, the Polish authorities agreed to arrange for the purchase of a stipulated quantity of pepper from Travancore. On account of the failure to purchase the stipulated quantity of pepper, the Polish authorities have agreed to pay Rs 22,666 as compensation. It is proposed to credit the amount when realised to general revenues under Miscellaneous. This accounts for the anticipated increase under this major head.

The anticipated fall in revenue in the next year as compared with the revised estimate is under Customs (11·03) and Stamps (·64). Under the revised draft agreement in regard to the Cochin Harbour Scheme, the Travancore Government's share of the net receipts of the Harbour is only Rs 16½ lakhs so long as the net collections do not exceed Rs 63 lakhs. Deducting from this amount the duty on foreign tobacco and import duty realised in our ports from Munambom to Quilon, and taking credit for two instalments aggregating to Rs 1,47,319 due from the Cochin Government towards the refund of duty on Jaffna Tobacco already pooled for division during the years 1931-32 to 1934-35, the net revenue under this item for the next year is estimated at Rs 12·40 lakhs as against Rs 24·42 lakhs in the current year which included a special windfall of Rs. 6·84 lakhs on account of the refund by the British Government of the duty on tobacco referred to above. An improvement of Rs 1 lakh is anticipated in the ordinary Customs revenue. The institution of Debt Conciliation Boards is expected to result in a decrease of Stamp revenue to the extent of Rs ·64 of a lakh.

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EXPENDITURE CHARGED TO REVENUE.

11. The demands of the several departments for expenditure during the next year have been carefully scrutinised both by the Government and the Standing Finance Committee and the grants fixed after a full consideration of the requirements and the available resources of the State. The total expenditure provided for in the budget for the next year is Rs 246·88 lakhs. This is in excess of the revised estimates of the current year by Rs 6·86 lakhs. I shall now deal with the more important items.

12. *Standardisation of Salaries.* With the object of granting relief to those who were hard hit by the revision of pay introduced as a result of the standardisation scheme, the rates of pay of low paid subordinates drawing Rs 100 and below have been revised with effect from 1st Chingom 1113. This revision is expected to involve ultimately an increase of about Rs 93,000 per annum roughly. Estimates for 1113 have been prepared in accordance with the revised scales. It is hoped that this revision will remove the discontent existing in the ranks of the low paid subordinates, bring relief to about 7000 employees and result in the greater efficiency of the public service.

13. *Land Revenue.* The Jenmikaram Settlement work is nearing completion and provision is therefore made for its continuance only on a reduced scale during the coming year. An area of 10,000 acres of cardamom lands in Pallivasal Pakuthy is set apart for registry to *bona fide* Travancoreans at a concessional rate. The special survey party for the sub-division and survey of these lands, for the purpose of registry, will be continued. Provision is also made for the continuance of the temporary staff for checking Puduval Sub division sketches and for clearing off the arrears in checking and closing survey records. The present temporary staff for the demarcation and survey of encroachments within the Cardamom Hills reserve is proposed to be continued for 6 months during 1113. As several special survey works are proposed to be taken up in 1113, provision is made for the opening of a special survey class and for the continuance of the present temporary Survey School, Kottayam.

14. *Income Tax Department.*—It is considered urgently necessary to arrange for a thorough overhaul and re-organisation of the Income Tax Department, in consequence of the recent amendments to the Regulation and for the purpose of improving the procedure followed and tightening up the control in regard to assessment and collection of the tax so as to minimise the chances of considerable leakages of revenue and to counteract clever ruses evidently adopted at present to evade payment in several cases. With a view therefore to examine the working of the department, to suggest measures for improvement and to effect a thorough re-organisation, it is proposed to obtain the services of an experienced Income Tax Officer from British India for a period of 6 months on a pay of Rs. 600 per mensem. The two temporary Income Tax Collectors at Trivandrum and Alleppey are also proposed to be continued during the coming year. A provision of about

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Rs. 14,500 has accordingly been made in the budget for the above purposes. It is also proposed to put on special duty one of our Senior Revenue Officers to conduct the work of the Department under the general supervision of the Land Revenue Commissioner.

15. *Excise.* It is essential to launch on a continuous, systematic, and determined drive against the smuggling of tobacco that is being undoubtedly carried on in the Northern Frontiers of this State, and that is depriving the State of considerable legitimate revenue estimated at between 10 to 20 lakhs of rupees. The smuggling has become of late the regular business of well organised gangs of unscrupulous characters who appear to be backed up from behind the screen by apparently respectable capitalists. The extent of the malpractices now resorted to is evident from the figures of tobacco consumption near the Frontier and at a distance from the Frontier. For instance the average annual consumption of tobacco per head at Parur is about 2 lbs, while at Nagercoil it is about 10 lbs. As a result of the prevailing economic depression, the ranks of the gangs of smugglers have swelled considerably and their nefarious transactions have become more extensive. The inevitable consequence of the increased activities of the smugglers is the marked fall in the consumption of duty-paid tobacco. This is evident from the fact that the quantity consumed during 1111 has gone much below the quantity consumed during the year 1103. The budget for the next year includes a provision of Rs. 1,12,37 for the purpose of increasing the staff of Inspectors, Petty Officers and Peons in the Excise Department and for the pay of the Reserve Police posted at the Frontier, sufficient to check the activities of the smugglers. The campaign may have to be conducted persistently for several years and the whole hearted co-operation of the Legislaturer and the public is required for any perceptible effect to be reflected in the Excise returns.

Provision is also made for the staff necessary for the Customs Houses and Preventive Stations for the Anjergo and Thangacherry Frontiers in consequence of the decision of this Government and the Government of Madras to discontinue from 1st July 1937 the system of leasing to this Government the Abkari and Opium revenues of those places and to take up the work of collection themselves.

16. *Forests.*—Provision has been made for the continuance of the temporary staff dealing with the Kudivila claims on royal trees removed from private lands and for the purchase of a Jolly boat and the construction of a picnic shed of wood at the Game Sanctuary and for the continuance of the Officer on special duty for the preparation and issue of a comprehensive work on the Hill Tribes and primitive communities in Travancore.

17. *Stamps.*—In commemoration of the eventful Temple Entry Proclamation dated 27th Thulam 1112, Temple Entry Anchal Stamps of the denominations of 3 chackrams, 1½ chackrams, 12 cash and

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6 cash, of a pictorial design, bearing the effigy of His Highness the Maharaja and pictures of important temples, were issued during the year. They have been popular and stamps to the value of Rs 20,000 are expected to be sold during the current year.

18. *Interest and Sinking Fund.*—Provision has been made for payment of interest amounting to Rs 1·78 lakhs for a full year on the 3½ per cent Government Loan, 1956, in the budget estimate for 1113.

The question regarding provision to be made for Sinking Fund for the 3½ per cent Loan, 1956, referred to in para 9 of my budget speech for last year, was further examined. The Loan was raised mainly for financing the Pallivasal Hydro-Electric Scheme, which is now in progress. Until the scheme develops and begins to yield full revenue, it is proposed to create a Sinking Fund by an annual contribution of Bh. Rs 50,000 from 1113 for the purchase and cancellation of our securities if and when they depreciate and stand below par in the market.

19. *General Administration.*—Provision has been made for the regarding of the number of appointments in the several grades of the ministerial staff in the Secretariat, for the continuance of the appointment of an additional Private Secretary to the Dewan, of the temporary staff for the revision of the State Manual for 3 months during 1113. and for the listing, copying, etc., of the large collections of valuable old records preserved in the Mathilagom and Central Vernacular Records, and the temporary staff for the Press Room.

With a view to secure co-ordination and economy in the purchase of stores required by the various departments of public service in the State and to encourage local and Indian purchases as far as possible, a Stores Purchase Committee has been constituted consisting of the Chief Secretary as President, the Financial Secretary to Government and the Director of Industries as members, with the power of co-opting heads of departments whenever necessary. Details of procedure, regarding indents, etc., have been settled and purchases of stores will be made through the Committee with effect from 1st Chingom 1113. A provision of Rs. 3,525 on account of the pay of the clerical staff and contingencies is made under 41—Miscellaneous.

A senior officer has been placed on special duty for the revision of the Codes of the Army Department which has been recently reorganised, and the various Accounts and Departmental Codes which are very much out of date.

20. *Administration of Justice.*—With the establishment of Conciliation Boards at important centres of the State for giving effect to the provisions of the Agriculturists' Relief Regulation III of 1112 for which a provision of Rs ·55 of a lakh has been made for the next year, it is expected that there will be considerable relief to the existing Civil Courts. The continuance of the existing temporary Second Judges and Munsiffs' courts as well as the temporary Sirkar Vakils' offices has been provided for about six months only by which time it is expected

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that the question of a possible reduction will be considered and decided upon. Provision has also been made for the continuance of the Temporary Fourth Bench of the High Court till 8th Vrischigom 1113 and for the Statutes Revision Committee which is now engaged in considering the laws relating to commercial transactions, arbitration and companies, for a portion of the year, until the future of the Committee is considered and orders issued.

21. *Police.*—In addition to the continuance of the existing Police Out-posts at Santhanpara, Munnar and Thalayar, provision has been made for the revival of the out-posts at Thanneermukkam and also for strengthening the staff of constabulary in the Traffic Branch, in view of the large increase in motor traffic.

22. *Education.*—The expenditure next year is estimated at Rs 49·65 lakhs. This is about 20 per cent. of the total revenues of the State and exceeds the revised estimate for the current year by Rs 1·75 lakhs.

To give effect to the scheme for the establishment of a University for Travancore, referred to in the Dewan's address to the Joint Session, a Special Officer has been appointed for the preparation of the scheme and to perform the necessary spade work in connection therewith. Besides the provision for the pay and allowances of the Special Officer and his staff, a lump sum of Rs 63,000 has also been provided in the budget for next year. A lump provision of Rs 1 lakh has been made under Capital Expenditure not charged to Revenue for University Buildings, etc.

Government have invited the All India Oriental Conference to hold their Ninth Session in Trivandrum in December 1937 and the invitation has been accepted. A lump sum of Rs 12,000 has been included in the budget for 1113 for meeting the expenses during the next year.

Provision has also been made for the continuance of the Vocational Training Schools started during the current year as an experimental measure and for the continuance of the existing temporary establishments in so far as they may be necessary. It is also proposed to enhance the provision for fixed contingent grant to Vernacular Schools.

23. *Agriculture and Fisheries.*—In view of the great possibilities of tobacco cultivation in the Travancore State and of the keen interest which the representatives of the people have been evincing in the matter, Government have recently sanctioned a set of rules enabling the people of the State to undertake tobacco cultivation. Provision has been made in the budget estimates for the deputation of one of the Agricultural Inspectors for a period of 6 months to Tinnevelly, Coimbatore, Guntur and Jaffna to study all the processes of cultivation, curing, etc., of tobacco.

Provision has been made for the revival of the *kari* experimental station at Porakkad, for strengthening the Entomological Section of the Agricultural Department by the appointment of a qualified

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Assistant for carrying on extensive campaign towards the serious pests of rice in Travancore, the rice stem borer and the rice swarming caterpillar which have in recent years assumed epidemic proportions and caused heavy loss of paddy especially, in Nanjinad and Kuttanad areas and for importing Australian Bees. Provision has also been made for the increase in the number of grants for the maintenance of stud bulls in the State and for the continuance of the Agricultural School at Konni during 1113.

24. *Industries.*—The question of making radical changes in the organisation of the Sales Depot at Bombay and Trivandrum is under the consideration of Government. It is their intention to entrust the work of pushing on the sales of Travancore products to non-official agencies like the Chambers of Commerce and the Cocoanut Growers' Association in the State and to subsidise and assist them. Pending final decision on these proposals, provision of Rs 8,000 and of Rs 3,093 has been made for the next year for the Trade Agency at Bombay and the Sales Depot at Trivandrum respectively. Out of the reduction of 20 per cent. made in 1107 in the grants-to-aided industrial institutions in the State as a measure of retrenchment, Government have sanctioned the restoration of one-half of the cut and this is included in the budget. The whole question of policy regarding the issue of mining leases or agreements was considered by Government during the year and definite rules on the subject have been issued, which provide among other matters, for the payment to Government, in addition to the Royalty fixed according to the present rules, 10 per cent of the profits of the companies.

25. *Co-operative Department*—In order to carry out the provisions of the recent Co-operative Regulation, provision has been made for strengthening the staff of the department by the appointment of 3 temporary Inspectors of Co-operative Societies. The estimates include also provision of Rs 3,000 for grants to supervising unions and for the post of a temporary first grade Inspector as Personal Assistant to the Registrar of Co-operative Societies.

26. *Uplift of Backward Communities.*—It has been decided to make arrangements for carrying on steady, systematic and intensive work for the amelioration and uplift of the Backward Communities in the State. The work has been entrusted to a Special Officer styled the Protector of Backward Communities. The work will be carried on in three centres, one each in the North, Central and South Travancore selected with due regard to the distribution of the population of the Backward Communities, their economic condition and the urgency of their needs. House sites for 50 families in each of the centres will be provided by the acquisition of suitable lands (if suitable Government lands are not available) wherein pathways, wells and burial grounds will also be provided. For putting up houses, etc., money will be advanced after taking agreements from the people concerned with due provision for sureties. Wherever possible, the assistance of non-official organisations such as the Harijan Sevak Sangh, the Kerala Hindu Mission and the Y. M. C. A. will be invoked for carrying out the work.

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An experimental rural colony for Backward Communities at Enadimangalam in the Kunnathur Taluk, where an extensive area of arable land is said to be available, will also be established. The normal activities of the Department for the protection of Backward Communities which are in various stages of completion in the several parts of the State will also be continued. A provision of Rs 20,000 for the above purposes has been made in the budget for next year under a new major head "24—Uplift of Backward Communities." It may be mentioned that this provision is in addition to the usual provision in the budget under Education, Industries, etc., for the benefit of the Backward Communities which amounts to about Rs 63 of a lakh.

27. *Medical.*—In addition to the provision for the appointment of additional staff required in the General Hospital, Trivandrum, for the Radiological and Radium Wards etc., under construction, for the Women and Children's Hospital, the Kottayam District Hospital, the General Medical Stores and additional compounders in some of the heavily worked hospitals, provision has also been made for running an Itinerant dispensary for the treatment of yaws, a dangerous infectious disease prevailing in most of the coastal villages in Central Travancore. It is also proposed to supply the Women and Children's Hospital with additional iron cots and shadowless operation lamp. The existing temporary staff in the General Hospital, the Leper Colony, Noornad, the staff for leprosy survey work and the temporary dispensary at Vidurai are also proposed to be continued.

28. *Public Health.*—It is proposed to reorganise the department by dividing the State into two districts and placing each under a separate District Health Officer. Provision has also been made for the continuance of the schemes of intensive health works in 5 selected taluks which are easily affected by cholera, for the Filariasis control measures in the Shertallai Taluk, and for the appointment of 3 Public Health Nurses in three Revenue Divisions with 5 midwives for work relating to Maternity and Child Welfare and for the continuance of anti-malaria and plague preventive measures. The existing scheme of medical inspection of school children is also proposed to be continued and a provision of Rs 10,000 is made for the purpose in the Education budget.

In this connection, I may point out that the total grant for Medical and Public Health for the next year amounts to Rs 13·35 lakhs as against Rs 12·77 lakhs for the current year.

29. *Scientific and Miscellaneous Departments.*—With a view to make the Economic Development Board a really representative organisation of the economic interests in the State, enabling it to function properly and to suggest well conceived schemes of economic planning spread over a few years, Government sanctioned the reconstitution of the Board with 25 members, (10 officials and 15 non-officials) with effect from 1st Chingom 1113. One of the duties of the Board will be the organisation of Rural Reconstruction work in selected areas preferably through non-official agencies. The necessary provision has been made in the budget for the next year.

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A provision of Rs 7,340 has also been made for the preparation and printing of a descriptive catalogue of the manuscripts in the Palace Granthapura and the Curator's Office, in connection with the All India Oriental Conference.

30. *Public Works.*—The allotment for ordinary Public Works expenditure for the next year including establishment charges and tools and plant is Rs 32·26 lakhs as against the current year's revised estimate of Rs 31·76 lakhs, exclusive of the provision for the Town Planning Scheme and the Council Chamber. A sum of Rs 3,500 for the investigation of a scheme for providing tube wells for the supply of drinking water in the Kalkulam and Vilavancode Taluks is included under Public Works. Full details of the works in progress and new works are given in Appendix B to the budget estimates.

The budget includes in addition to the ordinary provision for maintenance and repairs and for the completion of works in progress, a sum of Rs 3·62 lakhs for new works and Rs 3 lakhs for new communications, including the works to be financed out of the Road Development Fund.

Additional provision has been made in the estimates for next year for the constitution of a separate sub-division for looking after the electrical installations and their maintenance in the Government buildings at Trivandrum, Nagercoil and Kottayam with effect from 1st Chingom 1113.

31. *Devaswom Fund.*—Provision has been made for the usual contribution of Rs 16 lakhs payable to Devaswom Fund.

CAPITAL EXPENDITURE.

32. The principles governing the classification of expenditure between Revenue and Capital not charged to Revenue, and the method of financing Capital expenditure indicated in detail in para 3 of my budget speech last year have been followed this year. During the budget discussion last year, our policy in this regard was strongly criticised by certain members on the ground that it is novel and unsound in principle to debit to Capital not charged to Revenue, the expenditure on schemes which are not directly remunerative and do not yield the prescribed return on the sums invested thereon. I explained at the time that our policy in this respect was quite in accordance with the orthodox canons of finance and the practice followed in British India and elsewhere and that it was not incorrect to debit to Capital, expenditure on the creation of permanent assets of lasting public utility, which involves considerable outlay that cannot be reasonably met out of current revenues and which benefit future generations also. In further support of our position in this respect, I would invite the attention of the Honourable Members to the arrangements since adopted in the United Kingdom, of financing their huge re-armament schemes involving about 400 millions of pounds out of borrowed funds and classifying them as Capital. In British India, it will be seen that the Ministers of certain provinces are contemplating the financing of rural reconstruction and other development schemes out of Capital. There need therefore be no doubt in regard to the soundness or propriety of our policy in this respect.

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33. This year also, a sum of Rs 98·48 lakhs has been provided in the budget under Capital expenditure not charged to Revenue for expenditure on capital schemes under the following heads:—

Non-productive works.

	Rs.
Water Supply Schemes	16·96 lakhs.
Drainage Scheme	7·50 ,,
Miscellaneous	14·86 ,,
Total	39·32 ,,

Productive Schemes shown under Debt Heads.

	Rs.
Pallivasal Hydro-Electric Project	36·33 lakhs
Ceramic Factory	2·25 ,,
Commercial Transport	5·00 ,,
Other Schemes	3·70 ,,
Total	47·28 ,,
Loan to the Cochin Harbour authorities towards the 4th stage works and the cost of Dredger shown under Advances	11·88 lakhs
Grand Total	98·48 lakhs.

The provision relates mostly to schemes started in the current and preceding years, and now in progress. I furnish below brief details of the more important schemes provided in the estimates of the next year.

WATER WORKS AND DRAINAGE.

34. *The Willingdon Water Works, Trivandrum.*—The total of the sanctioned estimates for the first and second stages and supplemental works relating to the scheme amounts to Rs 58·56 lakhs. The expenditure to the end of the current year is expected to amount to Rs. 58·27 lakhs against this estimate. The work of laying mains in the second stage area of the Water Supply to the Town has made good progress. Out of the 46 miles, pipes have been laid for 40 miles. The reconstruction and extension of the Water Works Office building is making good progress and it is hoped that the building will be ready for occupation early in 1113. The aggregate provision under this scheme in the budget for the next year amounts to Rs 1,18,700.

The question regarding the contribution to be recovered from the Municipal Council, Trivandrum, on account of the Willingdon Water Works, etc., was considered in consultation with the Municipality and the following arrangements have been ordered:—

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(i) that for the years 1111 and 1112 the annual contribution to be paid by the Municipality be fixed at Rs 75,000.

(ii) that for the years 1113, 1114 and 1115, the annual contribution be fixed at Rs 82,500, Rs 90,000, and Rs 1 lakh respectively, and

(iii) that the position be reviewed in the middle of 1115 and the amount of contribution for 1116 onwards fixed.

These arrangements have been given effect to in the revised estimates of 1112 and the budget estimates for 1113.

35. *Water Supply Schemes to Mofussil Towns.*—Estimates amounting to Rs. 16·85 lakhs, Rs 10·80 lakhs and Rs 3·03 lakhs were sanctioned for the Water Supply Schemes to the Municipal Towns of Nagercoil, Alleppey and Shencottah respectively. The three Municipal Councils have agreed to the following arrangements —

The entire cost of the schemes till their inauguration shall in the first instance be met by Government, of which one-half shall be borne by the Councils, the other half being considered as a grant in favour of the Councils; the Councils' share of the cost of the schemes will be considered as a loan advanced by Government to the Councils for purposes of the Water Supply Schemes; the loan shall bear interest at $4\frac{1}{2}$ % per annum and shall be repaid by the Councils in thirty five equal annual instalments and the schemes shall be worked by the Councils at their own cost from the date of inauguration of the Water Supply.

Contracts for the supply of pipes and specials have been arranged, and these materials are expected to begin to arrive in October next. The Land Revenue Department is engaged in land acquisition proceedings for the lands required for the three projects. As soon as the lands are acquired and handed over to the Water Works Department, the construction of the projects will be proceeded with vigorously.

The following provisions have been included in the budget estimates for 1113 :—

Water Supply to Nagercoil Town	...	Rs 7·42 lakhs.
Water Supply to Alleppey Town	...	,, 6·00 ,,
Water Supply to Shencottah Town	...	,, 2.00 ,,

37. *Kuttanad Water Supply.*—A provision of Rs 35,000 has been included in the budget for 1113 for the purchase of necessary boring plant. It is proposed to provide a number of bore wells in the water-logged area in Kuttanad where there is no good potable water.

37. *Drainage Scheme.*—The construction works of the Drainage Scheme, Trivandrum, which was started in 1111 were in continuous progress during the year. The expenditure to the end of the year will amount to Rs 7·47 lakhs. A provision of Rs 7 60 lakhs has been made in the budget estimats for the next year for the scheme. The total cost of the scheme consisting of sewerage and sewage works and those required for the disposal of storm water for the prevention of flooding in the low lying areas, will, as estimated at present, be Rs 45·9(

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lakhs. The whole of the expenditure will be financed by Government. The Municipal Council, Trivandrum will pay from the beginning of the year 1115 drainage contribution of Rs 75,000 and of Rs 1 lakh after two years when the whole scheme is completed.

38. *General.*—Due to the expanding activities of the Water Works and Drainage Department, separate divisions have been formed under Executive Engineers and placed under the control of the Chief Engineer for Water Works. Provision has been made accordingly in the budget estimates for 1113.

39. *Town Planning Scheme.*—The expenditure on the scheme to end of the year will stand at Rs 11·64 lakhs. The scheme of Town planning based on the Thampanoor Valley improvement will not be proceeded with. The work of Mr. Krumbiegel in connection with the Town Planning Scheme, Trivandrum, has also been suspended. A provision of Rs 3·90 lakhs has been made in the budget estimates for 1113 on account of the scheme in respect of the beach area and other works which may be brought under the Town Planning Scheme during the next year.

40. *Council Chamber.*—The construction of the Council Chamber, North Wing, is in progress, and is expected to be completed in 1113. The expenditure to the end of the year on this work will be Rs 1·20 lakhs and a provision of Rs 1·75 lakhs has been made in the budget estimates for the next year.

41. *Extension of the Public Offices, South Wing.*—A provision of Rs 1·50 lakhs has been made in the budget estimates for the next year, but it is likely that this work will be abandoned and other arrangements made. The question is under the consideration of Government.

42. Government have sanctioned the purchase from the K. D. H. P. Co. Ltd., Munnar, of the bridge near their head-quarters Office at Munnar and also the 3½ miles of road lying between Nallathanni bridge and the Pallivasal Factory at a price of Rs 1 lakh subject to certain conditions. Provision has been made for this purchase under Capital in the next year's budget.

43. *Government Mint.*—A provision Rs 30,000 has been made under Capital for the substitution of electric driven machines for the hand driven pressing machines in the Government Mint with a view to avoid the delay which occurs at present in the manufacture of copper coins.

44. *Survey of Minor Circuits.*—There are at present large tracts of unsurveyed minor circuits in the State covering an extent of more than two lakhs of acres, of which about 40,000 acres are already under occupation but not registered. The State is thereby losing considerable capital receipts and recurring revenue. It is now proposed to conduct the survey of such minor circuits in seven of the taluks and complete it in two years. A provision of Rs 71,200 is made for the next year for the above purpose under the capital head "Survey of Minor Circuits," as the expenditure incurred is expected to be more than fully recouped

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by the capital receipts accruing from the scheme. It is expected that the survey and registry of the lands now under occupation would bring in a capital revenue of about Rs 10 lakhs as *tharavila*, besides a recurring assessment of about Rs 40,000 per annum and about Rs 2 lakhs under arrears of assessment.

45. *Railways* :- The capital at charge for the Quilon-Trivandrum Railway at the close of the year ending 30th September 1936 was Bh. Rs 53·58 lakhs. A provision of Rs 44,100 has been made for capital works during 1113. The total capital expenditure on the Chackay-Thampanoor Railway Extension at the close of 1112 will stand at Rs 28·04 lakhs. The budget estimate for 1113 provides for a sum of Rs 31,300 mainly to meet payments on account of land acquisition charges anticipated to be decreed by the courts. The South Indian Railway Administration is now working the Extension as a part of the Travancore Railway. The agreement between the Secretary of State and this Government for the working of this branch has not yet been drawn up pending settlement of certain details. The question is now under consideration.

The working of the railway entailed a loss of Bh. Rs 69,652 for the year ending 31st March 1937 representing the deficit in the interest guaranteed by the Government. The receipts from the railway are expected to be better in 1113 as there has been some increase in railway earnings throughout India. Nevertheless, a sum of Rs 50,000 has been provided for 1113 also, as the probable loss to be met by Government. I may mention here that the Government of India have accepted our contention that the loss in the working of the Travancore Railway should be apportioned between the Government of India and this Government in proportion to the Capital outlay incurred on British and Indian State Sections of the Tinnevelly-Quilon line alone, excluding the outlay on the extension to Trivandrum which was financed by this State.

The Government of India have also agreed to the association of an officer of this Government with the Government Examiner of Accounts at Trichinopoly for the audit of the accounts of the Travancore railway. A lump sum provision of Rs 3,000 has been made in the budget under the Revenue head, " General Administration—Financial Secretariat ", for this purpose.

Commercial Undertakings.

46. *Pallivasal Hydro-Electric Project.*—The progress anticipated last year in regard to this project has not been realised due to some difficulties encountered during construction with regard to the foundation of the terminal anchor of the pen-stocks, and to the disturbances of the ground adjoining the power house which became manifest during the monsoon last yaar, and which have been fully adverted to in the proceedings of this House. As, at the time when the machinery was being installed in the power house, some cracks developed in the building, it was not considered safe to instal the heavy machinery, etc., in

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the existing building. A fresh site has accordingly been chosen and it is hoped to complete the levelling of site and excavation of foundation for the new power house before the close of the year. All civil works connected with the Project have been placed under the control of the Chief Engineer. The Electrical works continue to be under the control of the Chief Engineer for electricity.

It has also been decided that the supply of power should be extended as far as Quilon in order that several industries already in existence and those that are likely to arise in that place may get the benefit of cheap power.

The total estimate for the electrical portion of the works now is Rs 79 lakhs including provision for the extension to Quilon, for the distribution of power in many rural lines and in some of the important towns and municipalities and also for the necessary telephone lines in connection with the whole scheme.

It is proposed to appoint a Commercial Engineer for carrying on intensive propaganda at this stage to canvass consumers for the use of electric energy in the various parts of the State and to give the public all the necessary data to enable them to go in for electrical power for their industrial and agricultural requirements. It is proposed to appoint Mr. K. P. P. Menon, Electrical Engineer as the Commercial Engineer also and to appoint an additional Executive Engineer to be in charge of the construction of the Hydro-Electric Scheme with headquarters at Kothamangalam.

The budget of the next year provides for a sum of Rs 25·69 lakhs for electrical works of the scheme and Rs 10·64 lakhs for civil works including the construction of division weir, intake, tunnel, forebay, high pressure pipe line, power house equipment, workshops and electrification of buildings. The total probable expenditure on the Scheme to end of 1113 will amount to Rs 116 lakhs, and a further sum of about Rs 20 lakhs will probably be required to complete the scheme. The total cost of the scheme will thus amount approximately to Rs 136 lakhs as far as can be estimated at present.

It is hoped that all the works will be expedited and the scheme brought into operation by the end of next year.

47. *Trivandrum Electric Supply and Telephone Schemes.*—The total cost of the above schemes is expected to stand at Rs 12·39 lakhs at the close of the next year. The net revenue from the schemes during 1113 is estimated at Rs ·45 of a lakh after payment of interest charges at 5 per cent. per annum and depreciation. This amount is credited to a Reserve Fund under Debt Heads.

48. *Quilon Electric Supply.*—The capital outlay on this undertaking at the end of 1113 is anticipated to amount to Rs 2·96 lakhs. The expected net receipts at the close of the year will be barely sufficient to meet the interest and depreciation charges.

The Depreciation and Reserve Funds opened in respect of the above undertakings are expected to amount to Rs 4·59 and Rs 1·32 lakhs respectively.

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49. *Trunk Telephone Scheme.*—No work in connection with the scheme has been carried out during the current year. As the whole question is still under consideration between this Government and the Government of India, it is expected that the scheme will be taken up early next year when a satisfactory agreement between the two Governments is also expected to be reached. A provision of Rupees half a lakh has been made for the scheme during 1113.

50. *Broadcasting Scheme.*—Government have under consideration the installation of a broadcasting station for serving the whole State including rural areas and a provision of Rs 1·50 lakhs has been made in the next year's budget. Although not expected to be fully remunerative, the scheme is expected to pay a portion of the working expenses. Details have, however, not been worked out.

51. *Clay Refining and Porcelain Factory.*—The work relating to this scheme was started during the year. An expenditure of Rs 1·57 lakhs to the end of the year is expected to be incurred. The scheme consists of :—

(i) The refining and exporting of china clay which is largely used in the textile mill areas.

(ii) Utilising the second quality of clay for the manufacture of porcelain goods, such as high and low tension insulators, drainage pipes, sanitary wares and stone wares as pickle jars, etc.

The factory will be located at Kundara in view of the proximity of raw materials, cheapness of labour and transport facilities available in that place. For refining china clay, a washing plant is already under construction. All the machinery for the purpose have already arrived and it is hoped that the construction of the washing plant will be finished by the end of this year. The construction of the main factory buildings has been entrusted to the P. W. D. A provision of Rs 2·25 lakhs has been made in the budget estimates for next year. The Ceramic Expert expects that the scheme will bring in at least a net profit of 15 per cent. As a matter of fact, there are several offers to purchase the total output of refined china clay.

52. *Commercial Transport.*—As indicated in the Dewan's address to the Joint Session of the Assembly and Council already referred to, Government have decided to take over themselves the running of the bus traffic between Trivandrum and Cape Comorin as preliminary to a more general scheme. It is proposed to buy 50 buses fitted with Diesel Engines and 10 lorries for the present and to entrust the management to an Expert who will be engaged for a term. All his superior and subordinate staff will be recruited in Travancore. The chassis will be obtained in Europe and the bodies, with the exception of a few samples, will be built here of local timber. A return of at least 7½ per cent is expected from this concern. A lump sum provision of Rs 5 lakhs has been made under Capital for this purpose.

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As this proposal is based on the analogy of the system now in force in Hyderabad, it may interest the Legislature to have an idea of the results of the working of this system in that State. The Government Bus Service was started in Hyderabad with 27 buses operating over 284 route miles in June 1932 and by the end of March 1937 it is expected to operate 4,000 route miles with 367 vehicles. I append below a statement showing the capital outlay and the financial results for the years 1933 to 1937 :—

Year ended.	No. of buses.	Capital outlay.	Route miles.	Net return on capital.
		Lakhs.		Per cent.
March 1933 ...	27	4·19	284	8·56
March 1934 ...	50	7·47	595	10·00
March 1935 ...	89	15·63	1232	10·00
March 1936 ...	122	22·51	1354	10·70
March 1937 ...	367	50·00	4000	10·00

It will be seen from the above statement that within 9 months of its commencement, a return of 8·56 per cent was obtained and during the next and succeeding years, the service yielded a net return of not less than 10 per cent.

Diesel Engines were introduced later and it is expected that in 1936-37 all the engines would be converted into Diesels, and after the conversion, a higher percentage of return is also expected. The above return was net, after taking into account the taxes which the Road Transport Department there pays exactly in the same way as private owners' vehicles, such as fees for annual registration etc., and also adequate allowances for depreciation. The staff of the displaced private buses have been absorbed, and many of the vehicles previously employed on the private bus service have been taken over at a suitable valuation without including a compensatory element. Uniform fare of 5·14 pies (British) per passenger per mile is charged throughout the whole service including the suburban and district services, the idea being to make the "fat routes" pay for "lean routes" also. Out-agencies have been established in a number of places for the through booking of goods and parcels.

As traffic in this State is heavier than that in Hyderabad, it may be confidently expected that the introduction of the system of Government monopoly of the bus traffic in our State will, while not involving any additional burden to the travelling public, be of considerable help to the finances of the State and also result in the efficiency of the service, and greater convenience to the public.

53. *Rubber Factory, Travancore.*—In pursuance of the policy of Government referred to already, Government decided to withdraw from the management of the Rubber Factory and arrange for its being run

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as a joint stock concern. A company under the name of "The Travancore Cables and Rubbers Limited" recently floated has taken up the management of the factory from 12th Makaram 1112. The lease is for a period of 10 years in the first instance. The lessee will pay Government 4 per cent. interest on the capital invested by Government in the concern in addition to 2½ per cent on the actual cost of the buildings and 3 per cent on the actual cost of machinery towards depreciation.

The formal agreement with the company is awaiting execution. Meanwhile, the question of the sale of the factory and its assets to the company is under consideration.

54. *Sugar Factory, Thuckalai.*—With a view to put an end to the unsatisfactory condition of the Sugar Factory which has been incurring losses and paying no dividend for several years to Government and the shareholders, Government in pursuance of their general policy, purchased the rights of all the shareholders and of the Managing Agents of the factory for a sum of Bh. Rs 80,000. Provision has been made for the payment in the revised estimates of this year under "Debt Heads". A company under the name of "The Travancore Sugars and Chemicals Ltd." has been floated for the purpose of taking over the Sugar Factory, Thuckalai, and also the Nagercoil Distillery and the Government Tincture Factory Trivandrum, which are in a position to utilise the bye-products of the first named undertaking. Government have entered into an agreement with Sir William Wright of Messrs Parry & Co., Ltd., Madras, who will be the Secretaries and Treasurers of the company, agreeing to sell to the Company the Sugar Factory, lands and buildings at Thuckalai, the Government Distillery, lands and buildings at Nagercoil, and the Government Tincture Factory at Trivandrum for the following amounts :—

		Bh. Rs.
Thuckalai Sugar Factory	...	3,25,000
Nagercoil Distillery	...	1,90,000
Tincture Factory	...	7,000

Government are to receive 20 per cent. of the net profits of the company subject to a maximum of Bh. Rs. 40,000 per annum.

The sum of Rs. 1·58 lakhs representing the difference between the amount invested in the Sugar Factory and the sale proceeds referred to above will be written off as Capital loss on investment in the Sugar Factory and provision has been made in the budget estimates for the next year for this under Capital. The sale proceeds of the Nagercoil Distillery and the Government Tincture Factory amounting to Bh. Rs. 1·97 lakhs are shown as Capital receipts in the Capital section of the estimates.

55. *Cochin Harbour.*—The revised agreement referred to in para 11 of my budget speech for the last year in regard to the Cochin Harbour Works between the Government of India, this Government and the Cochin Government, has not yet been formally completed. The

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arrangements have, however, been given effect to with effect from 1st April 1936. Accordingly, a credit of Bh. Rs. 16½ lakhs has been taken under receipts on the Cochin Harbour Scheme in the budget estimates for 1113. A sum of Bh. Rs. 6·84 lakhs due from the British Government representing the refund by them of the import duty on foreign tobacco which had been pooled during the years 1931-32 to 1934-35 for the purpose of the tripartite division under the agreement of 1925, has been refunded by the Government of India during the year. Two instalments amounting to Bh. Rs 1·47 lakhs due from Cochin towards the refund of their portion of the duty on tobacco have been taken credit for in the estimates of the next year.

Provision has been made under Advances in the estimates of next year for the contribution by this Government on account of the fourth stage works of the Cochin Harbour and for the purchase of a new Dredger.

STATE LIFE INSURANCE—PUBLIC BRANCH.

56. The State Life Insurance—Public Branch, introduced with effect from 1st Meenam 1109, with a view to afford facilities in the matter of insurance to the subjects of the State for making provision for themselves in their old age and also for their families, is working very successfully. 4,040 proposals for over Rs. 37½ lakhs were received during the short period of 3 years and 3 months and policies in respect of 2,810 proposals assuring over Rs. 25 lakhs have been issued. For 1113, the receipts are expected to be Rs. 1·30 lakhs and the expenditure Rs·20 of a lakh, the expense ratio being nearly 15 per cent. only.

STATE PROVIDENT FUND.

57. The State Provident Fund Scheme started in 1107 with a view to enable Government servants to make some provision for themselves in their old age, or for their families in case of their premature demise, has continued to work very satisfactorily during the year. The number of subscribers has risen to 9,639 during 1112 and the fund is expected to have a closing balance of Rs 7·26 lakhs at the end of 1112 and Rs. 9·76 lakhs at the end of 1113.

In view of the fact that the Government of India have reduced the rate of interest allowed on the Provident Fund Deposits in British India to 4 per cent. and that the rate of interest is only 3½ per cent. for our last loan, and 3 per cent. on Savings Bank Deposits, it is proposed to reduce the rate of interest on State Provident Fund from 5 per cent. to 4 per cent. after giving the usual notice of six months.

ASSETS AND LIABILITIES.

58. I furnish on pages 11 and 12 of the budget estimates the usual statement of assets and liabilities. The Government balance at the end of the next year is estimated to amount to Rs. 115·62 lakhs including the General Reserve Fund of Rs. 60·55 lakhs and the Sinking Fund Reserve of Rs. 14·75 lakhs. This includes, however, the sum of

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Rs. 146·60 lakhs representing the estimated expenditure on remunerative schemes shown under "Debt Heads" to the end of the year 1113, so that the current balance of Government is expected to be overdrawn at the end of the next year by Rs. 30·98 lakhs. This will not be surprising, if we consider the fact that in recent years we have financed capital expenditure on productive and nonproductive schemes amounting to about three crores of rupees, *Vide* details below :—

		In lakhs of rupees
Water Supply (Trivandrum and Mofussil)	...	80
Drainage	...	15
Electric Schemes	...	132
Railway, Chackai-Thampanoor	...	28
Army	...	12
Miscellaneous	...	33
Total	...	300

On the other hand, it is remarkable that our finances have successfully withstood the heavy strain to which they have been subjected. During the current year the debts due to the Palace, shown hitherto in the Savings Bank Accounts, have been funded. Our funded debt outstanding at the end of the year 1113 is estimated to stand at Rs. 110·89 lakhs and this sum together with the above estimated overdraft of Rs. 30·98 lakhs will be much more than covered by the value of our remunerative assets. We have also provided for the write off of bad debts amounting to Rs. 4·13 lakhs, in the estimates under review. Our debt position may be regarded as satisfactory.

59. In this connection, I am glad to announce that as a result of the able representation made by our esteemed Dewan, the Government of India have, with reference to clause (a) (iii) in Part I of Schedule II of the Imperial Bank of India Act, 1920 as amended by Act III of 1934, recently sanctioned the inclusion of the 5 per cent. Debenture Loan 1941, and the 3½ per cent Loan, 1956 issued by this Government among the securities which the Imperial Bank of India is authorized to recognise for the purposes of advancing and lending money and opening cash credits. The Imperial Bank of India will now advance money and open cash credits upon the security of the Travancore Government Pro-Notes above referred to in the same way and to the same extent as to the holders of Government of India Securities. I believe that this is a privilege granted only to one or two other Indian States. It is needless to state that this recognition by the Paramount Power testifies to the strong position held by the State in the money market and in the financial sphere.

COMMITMENTS.

60. I give below our probable commitments in regard to capital expenditure on the more important schemes now in progress, for 1114 and succeeding years in so far as they can be estimated at present:—

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		Rs.
Drainage Works, Trivandrum	...	31 Lakhs.
Water Supply Schemes to the Municipal Towns of Alleppey, Shencottah and Nagercoil	...	11 ,,
Pallivasal Hydro-Electric Scheme	...	20 ,,
Loans to Cochin Harbour for the fourth stage works	...	8 ,,
Total	...	70 ,,

Out of the expenditure incurred on the above schemes, a sum of about Rs 53 lakhs will be repaid by equated instalments (Rs 15 lakhs by the Mofussil Municipalities and Rs. 38 lakhs by the Cochin Harbour authorities). Out of the loans for the Cochin Harbour, about Rs 6 2/3 lakhs advanced for the purchase of the Dredger is expected to be repaid in 20 equal annual instalments with interest at the rate of 4 per cent. The remainder will be free of interest for the first ten years and thereafter will be repaid in 30 equated annual instalments with interest at 5 per cent. per annum. Government have, however, to arrange for the necessary funds in the first instance for the above.

GENERAL REVENUE POSITION.

61. During the years 1109, 1110 and 1111, the accounts showed a deficit of Rs. 5·77 lakhs, Rs. 4·45 lakhs and Rs. 4·06 lakhs respectively. As stated already, we are anticipating a revenue surplus of Rs. 11·52 lakhs and Rs. 2·60 lakhs for 1112 and 1113 respectively. We may hope that the depression is lifting definitely and that the corner has been turned. Still, expenditure in a progressive State like ours is bound to increase in various directions. It is therefore absolutely essential that we should build up a substantial revenue reserve fund to provide for special and capital expenditure, to meet unforeseen fall of revenue, and to maintain the stability and solvency of our finances on an un-assailable basis. In para 44 of my last budget speech, I stated that we should aim at setting apart annually about Rs. 5 lakhs at least for the purpose. I propose accordingly to make a start in the accounts of the current year and to open a Revenue Reserve Fund with a credit of Rs. 10 lakhs taken out of the anticipated surplus for the current year. It is, however, necessary that we should not relax our vigilance in regard to the control of expenditure or our efforts for securing economies, as far as possible.

WAYS AND MEANS.

62. From para 47 of my last budget speech, it will be seen that it was then contemplated to withdrw Rs 27·40 lakhs from our surplus investments to finance the current year's estimated capital expenditure

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on productive and non-productive schemes. But, as the progress of the expenditure on these schemes did not come up to the anticipated level, it was possible not only to finance the schemes with the loan raised at the close of last year, but also to invest Rs 20·36 lakhs in short term deposits. Our cash balances in Treasuries and Bank are expected to amount to Rs 70·59 lakhs at the close of the current year.

With a view to finance the estimated programme of capital and industrial schemes amounting to Rs. 98·48 lakhs and to maintain adequate cash balances in Treasuries and the Bank, it is proposed to withdraw Rs 20·36 lakhs next year from our surplus investments in addition to the fixed deposit of Rs. 20·36 lakhs in Bank invested in the current year. The surplus investments are therefore estimated to be reduced from Rs 251·03 lakhs at the beginning of the next year to Rs 230·67 lakhs at its close. The total booked assets inclusive of the outlay on productive schemes at the close of the next year are estimated to amount to Rs. 509·02 lakhs and our liabilities to Rs 393·40 lakhs. Our cash balance at the close of the ensuing year is expected to stand at Rs 49·13 lakhs which represents the minimum working balance required.

CONCLUSION.

63. I shall now conclude. I have, to the best of my knowledge and belief, presented a true and accurate picture of the financial operations of the State. Briefly stated, we hope to close the accounts of the next year with a surplus and without any additional taxation, and to finance all our heavy capital and industrial schemes to the end of the next year without any further loan.

The future is full of promise. The Pallivasal Hydro-Electric Scheme which will be one of our greatest revenue producing assets, may be expected to fructify fully in a few years and to yield a return of about Rs. 8 to 10 lakhs annually. The campaign against smuggling in the Northern Frontiers which we have started this year, if persistently pursued, may bring in an annual increase of about Rs 5 to 10 lakhs. The survey of minor circuits which will be commenced in earnest shortly, will result in a substantial increase of annual revenue besides bringing in considerable capital receipts. We hope to get a substantial income from our Clay Refining Factory and the new Transport Service. We may hope for a distinct improvement in our trade and industries which would result in a substantial betterment in the condition of our people and in an increase of our income-tax, excise and customs revenue, and in our receipts from the Cochin Harbour. The prospect of Federation does not appear to be very distant, and when it comes, we may hope that it would bring some relief to our finances. Without entertaining extravagant anticipations, we may reasonably look forward to an era of prosperity. The financial condition of our State is absolutely stable and sound.

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STATEMENT BY THE PRESIDENT.

Mr. Resident, Members of the Sri Chitra State Council and of the Sri Mulam Assembly,

Under the Rules, it is my privilege and my right to make a statement on the budget presented to the Joint Session of the two Houses of the Travancore Legislature; and I proceed to do so, not with the object of reiterating or merely emphasising what has fallen from my friend the Financial Secretary, but for supplementing his observations in certain particulars, such supplementing being, in my opinion, necessary for the purpose of removing misconceptions and the effects of some deliberate misrepresentations of Government policy.

Before I proceed with my task, let me, on my behalf and, I feel confident, on behalf of every one of you, congratulate the Financial Secretary on the lucidity, thoroughness and comprehensiveness of the speech to which we have just now listened with attention and, I trust, with profit. In this connection let me say something which may make him blush—if his complexion will permit him to blush (*laughter*). Mr. Rengaswami Aiyar, I am very glad to tell you, had an offer of Rs. 1,500 a month as Special Financial Officer of the Province of Orissa; and on account of my persuasion and the realisation of the possibilities of his work in Travancore, he has agreed to stay on, and on his present salary. I consider that self-sacrifice worthy of chronicling.

I shall now proceed with the task which has devolved upon me. As you will have observed from the speech of the Financial Secretary, we have arrived at a peak-point of our revenues; in other words, our income, under the revised estimates, of Rs 251 odd lakhs, is the highest which has been derived by the State at any time till now. You will also see that, as observed on page 32 of the speech, the Government of India have paid us the compliment of recognising our securities as on the same level with the British Government's securities in regard to the operations of the Imperial Bank. That is all to the good.

Incomes, revenues, surpluses, are all useful but only in so far as they serve certain primary ends. And, what are they?

So far as our State is concerned, it is absolutely clear that, like the greater part of India, our main pre-occupation and our main hope for the future lies in the rehabilitation of our agricultural population. Therefore the first point to be concentrated upon is the position of agricultural and its successful prosecution, the health, prosperity, education and the status of the peasantry. From that point of view, I wish to draw your attention to one or two things which have to be borne in mind in connection with the statements that I have been making in season and out of season that there should be an industrialisation of the country, especially in the direction of cottage industries, as a necessary

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concomitant of, as a necessary supplement to, our agricultural operation. May I, in this connection, refer you to page 10 of the very valuable brochure published by the Reserve Bank of India in regard to the Agricultural Credit Department which they are endeavouring to bring into operation? What do they say?

"In Japan, where 96 per cent. of the cultivators live on less than eight acres, more than one-third of the farming population keep themselves afloat by the rearing of silk-worms. In Italy and France, sericulture plays a similar if less important part, as also does the making of toys in Germany and Russia."

Coming to England, (It is difficult to institute a comparison of India which is one of the poorest countries of the world, with England, which is perhaps the richest country) it is said:—

> "But even so, in the richest part of England (the Isle of Axholme), it is considered that ten acres is the smallest area on which a man can support a family without any other industry to help him, and where there is no live-stock industry or market gardening, twenty acres are needed."

In other words, the experience of other countries, if it teaches us anything at all, teaches this, that a population solely depending upon agriculture and agricultural operations cannot be a prosperous or a self-sufficient community. Some subsidiary occupation, some supplemental industry is necessary in order to make for the happiness, nay, for bare subsistence on an ordinary level of the agriculturist. That is why when I have been talking of industries I have always been associating them with agriculture and speaking of them as a necessary part of our programme. Unless, side by side with our agriculture, certain subsidiary industries and occupations also come into existence, there is no hope for the future. For that, a re-orientation of our education is necessary; for that a new industrial policy is necessary; for that, also, more income is necessary from other sources so as to relieve the burden of the agricultural population.

Now I come to another aspect of the matter. The Government of His Highness have, under serious consideration, plans for the complete remodelling of the scheme of taxation in regard to land for the purpose of seeing to it that the persons least able to pay are made to pay the least, and that gradually, and that as in the case of other avocations and professions so also in the case of the agricultural community, those who are able to pay more will pay progressively more and more according to the incidence and amount of their income.

In addition to this aspect of the matter, it must also be borne in mind that very great attention has to be paid to new crops of a commercial character, soya beans, tobacco, sugar cane, cloves and so forth in addition to tea and rubber. I see on the platform by my side the expert sent out by the Central Council of Agricultural Research for the purpose of exploring the possibility of clove cultivation here Travancore is greatly suited for that and other profitable crops. I need hardly say that in the direction of increasing these secondary crops lies a great field for us.

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[President.]

This having been said about the profession of agriculture, I may add that the position of the agriculturist will never be such as to enable him to play his part in the economy of the State unless he is relieved from the tremendous load of debt which oppresses him. It is for that purpose that Conciliation Boards have been established; and we are looking anxiously forward to the success of the experiment; for in such success lies the promise of efficiency.

I now turn again to the question of incidence of taxation on land to which I referred a while ago. I may again say in passing that Government are fully alive to the fact that there are certain parts of the State which are very heavily taxed in comparison with certain others. There is no questioning the fact that portions of South Travancore pay proportionately and relatively much more than, (*hear, hear*) for instance, certain parts of Central and North Travancore, which bear comparatively a lighter tax, and there are cases where no tax is paid at all to the Government. Trespasses, encroachments, new plantations in unsurveyed localities, escape all burdens. These are matters which have to be enquired into; and in any research that the Government undertake, it will be their object to see to it that the burden of taxation is equalised as far as possible, and that nobody escapes taxation who can and ought to pay.

Coming to our industrial problem, it is not as a matter of egotism but merely as a matter of chronicling of facts that I point out that, when I assumed charge of this office in October, I found that the Rubber Factory was struggling for its existence, that the Sugar Factory had been a deadweight for many years, that the working of the distillery was from the point of view of the revenues of Government a positive scandal. On a capital investment of Rs 2 lakhs we were getting only Rs 200 a month apart from the excise duties. The Punalur Paper Mills were finding it very difficult to pull on. And then there was the State-Aided Bank; there it was; we know where it is. The Rubber Factory has been leased out to a private company in which Travancoreans were invited to take shares; only they took far less shares than was anticipated. The understanding with the company is that they pay us every year 4 per cent on our capital outlay. They pay also for depreciation of the buildings and also of the machinery.

With regard to the Sugar Factory, the new company are paying us, cash down, over Rs 5 lakhs. Government do not take a single share in the concern, and are not interested in it at all except in the right to get 20 per cent of their net profits subject to a maximum of Rs 40,000 which is the equivalent of another lump sum payment of Rs 8 lakhs. In other words, in addition to Rs 5 lakhs paid down in cash, we get a guaranteed annual income which only an investment of Rs 8 lakhs can be expected to yield.

In regard to the Punalur Paper Mills, I am glad to be able to inform you that very soon—it is only a question of weeks, not months—it will be a flourishing concern.

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That is one side of our industrial problem. I now come to another side. You have seen what has been stated by the Wedgwood Committee. Many of you must have read its report. It is clear therefrom that the period, when railway receipts were regarded as supplemental contributions to the finances of India is over. The Government of India cannot any longer expect railway receipts to play any part in the general financing of the country. In other words, unlike what happened in the past, hereafter we cannot expect a single pie from the railway revenues to come to the aid of the general revenues. You know what our position is. We have less than 100 miles of railway and we are facing a loss of Rs. 69,000. Next year it may be Rs 50,000, according to the optimistic forecast of my friend the Financial Secretary, and yet I have heard it seriously stated that all over the State a net work of railways should immediately be brought into existence for the purpose of earning revenue. I leave it there and would invite those persons who are responsible for this statement to read the Wedgwood Committee report over again.

I now come to the question of our Transport Scheme. Here again I think it is my duty in view to the speeches which have emanated from many persons including honourable Members of the Legislature on public platforms to make my position perfectly clear. It has been stated that there is some fundamental inconsistency in the policy of the Government in so far as the Government with one voice say that industrial concerns should be run by private agencies and at the same time the Government wish to take over this Transport Scheme. On the 24th of October 1936, that is 16 days after I took charge as Dewan, I made a speech on this matter, and I tried to make the point clear apparently I have been unsuccessful in my attempt. I tried to make it clear then, I once again would like to elucidate the point. I drew a distinction then and I draw a distinction now between primal necessities and needs and purely commercial industries. Take water supply. What happened in many countries in the early days in regard to water supply? In early days water was supplied by private companies on a commercial basis; but no Government now thinks of water supply schemes as other than a Government enterprise. Although the water supply schemes may be mismanaged by Government, although Municipalities may not handle these schemes properly, nevertheless nobody thinks of having a water supply scheme except as a part of municipal or State enterprise. Similarly in regard to the drainage scheme and power schemes. Where they tried private agencies in regard to power what did they find? They found that the whole thing was prejudicial to the ultimate interests of the people, was nationally wrong and people have come to the conclusion even in England, that land of private initiative, that they must have a state-controlled combine, the results of the working of which are before us to see. On that same plane I put transport in a country like this. In other words, I consider the system of transport as a fundamental

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[President.]

and supremely national need which must be in the hands of Government and in the hands of nobody else. Whether it is profitable or unprofitable, that duty is the Government's. But I shall endeavour presently to show that it is going to be profitable. I have told you that practically all the industries in the State, with the exception of the China-clay industry, are or will be handed over to private agencies. Why do I make an exception in the case of the China-clay industry? There the Government have nothing to do excepting to extract the clay, refine it and, as stated in the speech of the Financial Secretary today, we have before us offers to take the entire output of that clay at practically any rate that may be reasonable. We have such offers today from competing firms. It is not a matter of manufacturing work but it is merely a matter of refining the clay and having it ready for sale. That is why we propose to retain it in the hands of Government. It is one of the rightful monopolies of the State. Similarily it is possible that mining also may have been retained by the State. But that cannot be done because practically the whole mining possibilities of the State in certain directions—fortunately not in all—have been handed over to some agency or other. A number of agencies have taken control of many of our mining operations. In the early days it was considered the right policy and it will be a very bad Government indeed which tried to be confiscatory of rights legitimately acquired. But in that connection the Government have been insisting on the payment of 10 per cent of the net income in addition to royalty in respect of all new licenses that are sought to be brought into existence.

Now for transport. Let it be noted that the price of petrol here today is Bh. Re. 1-7-6 per gallon and the price of petrol in Madras today is Bh. Re. 1-1-6 The difference is 6 annas per gallon. You can make for yourselves the calculations about the railway charges in respect of each gallon from Madras or some other place to Travancore and draw your own conclusions as to what happens to the difference and where it goes. In other words we are paying 6 annas per gallon more in Trivandrum than the people in Madras and the whole of the bus service here runs on petrol. We hope that when the Diesel engines come into operation our fuel will cost a half or third of the cost of petrol and that if proper care is taken as to bulk contracts the profit will be even greater. Look at what that means to the State. But that apart, I am told that the following statements have been made and I wish to canvass them one by one. It is asserted that no profit is likely to be made and that the State is ruining itself. I am reminded of the outburst in connection with the Pykara Scheme. It was in 1924 that with the continuous and wonderful co-operation of Lord Willingdon and with a very efficient engineering service to which my friend Mr. Truscott then belonged, I initiated the Pykara Scheme. Two of my successors in the Madras Executive Council were opponents of that scheme. At that time it was said that I was plunging the Madras Presidency into chaos and that bankruptcy was the inevitable result of my policy in regard to the Pykara Scheme. You know now

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what the scheme has meant to Madras. The Mysore Scheme which was similarly started under tremendous handicaps by the Mysore Government and by that great statesman Sir Seshadri Aiyar is now paying 10 to 12 per cent per annum. All the power producible by the Pykara Scheme has already been sold at profitable rates. Similar will be the results of our Transport Scheme. Any one who opposes me should first study the figures which prove that from the very first year of the inception of the Hyderabad Scheme when everything was tentative and experimental, 8·56 per cent was paid and people who have travelled in Hyderabad know that our people are more travel-minded, being more educated. There was another statement that there is some nefarious project to throw the existing workmen out of employment. Workmen are not likely to pour down on us like rain out of the skies. We are going to utilise all the available resources in men and material and why should any body think there is any scheme for having outsiders brought in ? Have we done so in regard to other enterprises ? Have not the Government insisted that even the private companies should provide that Travancoreans should be employed in all positions when they are available ? Then why should they think that in regard to this Transport Scheme the conductors, ticket collectors and all those people should be asked to starve in a body, should be driven out of employment ? Nobody out of Bedlam dreams of driving these people out of employment. It may be, I may make it perfectly clear, that these men may be replaced by more educated men. The educated young men of to-day who scorn these vocations may tomorrow as a result of the University and our diploma courses or otherwise take to this occupation and then it may be that they will drive out some of these people. But at present I do not see any reason why the present men should be thrown on the streets.

Then it is said that there is contemplated some handing over of the business to a foreign firm or concern. But is that the policy which this Government have been pursuing ? What is actually going to be done ? I shall let you into the secret. It is admitted that the best bus service in the world and the best mechanically propelled vehicles in the world are available in the London bus system. We are getting a senior officer of the London Bus Service as our expert for one year to start with. It is a part of the scheme that he should train during that period somebody here, a Travancorean, so that he may take his place and run it afterwards. That is the only foreigner who is going to be thought of in connection with this scheme, namely a man who is to-day running the bus system in London in the country service department. He is coming here on contract for one year and one of the conditions is that he should train his understudies.

I next proceed to deal with the "rights" of those people who have been vociferous in Nagercoil and other localities. It was possible for me, it was possible for the Government of Travancore to have taken a very simple, expeditious and wholly legal course. If I had requested Mr. Pitchu Aiyangar, the Police Commissioner, not to renew the

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[President.]

licenses which are renewable every year, and which nobody has a right to have renewed, not a single one of these people could run his buses. He has only to decline the license and there is no appeal against it. There is no statutory or any other provision preventing such action. Government could have resorted to this course, but it is because Government thought that it was unfair to deal with these people in that clandestine, underhand, subterranean fashion, that Government announced their policy openly months ago. None of these people is entitled to anything more than a bare notice to quit. What is the conduct of these people? I am sorry to detain you at this length but having regard to the agitation which various vested interests for their own protection, have engineered, I think it is well that I should put some things beyond doubt. The scheme now relates only to transport from Trivandrum to Cape Comorin. The people north of Trivandrum have nothing to do with this matter, because until this experiment is worked for a year or two and is proved to be an absolute success so that the people in those places may themselves ask for the extension of the scheme, this scheme is not going to be extended to any place outside the region contemplated, that is from Trivandrum to Cape Comorin and perhaps from Trivandrum to Quilon. It may be that later on there might be an extension to Quilon but not an inch beyond Quilon, because the object of the Government is to see that this scheme works well, and prove that this scheme is profitable and beneficial in public interests. If this scheme satisfies the anticipations and the hopes of the originators of the scheme, then there will be and must be an extension which will depend on Pallivasal power. After that, I feel confident that the people themselves will ask for the extension of the scheme to every nook and corner of the State, but until that is done no further step will be taken. It may be asked why this scheme deals with the road from Trivandrum to Cape; the answer is obvious, because north of Trivandrum and especially north of Quilon this business is in the hands of many small owners who have put their capital and their enterprise into this bus traffic whereas from Trivandrum to the south it is practically a monopoly or rather a combine. I do not give names. One motor service had 57 buses in the year 1110. It was assessed to an income of Rs. 10,000 per year. The next year the income was nil (*Cry of 'shame'*). It is supposed to have worked at a loss. Another company had 19 buses and it was assessed in 1110 to an income of Rs. 6,000. Last year it was assessed to an income of Rs. 5,000. Another company has only 7 buses running south of Trivandrum. Another company has never paid any income tax though it was assessed. That is the position of the bus companies south of Trivandrum. And all of them are working under joint agreements. These companies are asking for compensation. They cannot have it both ways. They cannot for the sake of payment of tax say that they are losing or not making much profit and, for the sake of getting compensation assert that they are greatly profitable concerns. Let these companies pay the tax which they are bound to pay and then ask for compensation on that basis. Unless there is profit where is the compensation? He who seeks equity must, in the language of the law, do

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equity (*hear, hear*). I am sorry that this interruption should take place because this is not a matter of controversy but one of pure argument. The proprietor of the biggest concern came and saw me the day after the recent Nagercoil meeting and assured me that he had nothing to do with the Nagercoil meeting. I told him that I was not going to be influenced in favour of any one or against any one by reason of such meetings, because I have had sufficient experience of meetings. Apart from all that, I told him to forget all that had taken place as I had already forgotten it. I asked him to give me a memorandum about the loss he is likely to sustain and the compensation he is entitled to. In an absolutely unprejudiced manner, without any bias, I assured him that Government will look into the question of compensation. That is the stand which the Government will take. There is no legal obligation on the part of the Government to pay any compensation. Government are legally entitled to deprive them of their business by not giving them license for the following year. But Government do not want to stand upon laws and technical points. Government are prepared to concede compensation as a moral obligation. But the payment of compensation as a moral obligation involves a moral obligation on the other side also. Let those obligations be respected and acted upon reciprocally. If Government receive their dues and a proper case for compensation is made Government will consider it on the equitable footing though legally they have no obligation.

I may say in passing that those who have been studying the newspapers might have seen that the French Government are imposing a duty of 100 per cent upon those who have evaded payment of tax. We shall certainly not follow such extreme examples.

I wish to make one more remark on this subject. There was one point made by one of the speakers in a meeting *viz.*, that the new transport buses will not be paying tolls and other taxes and that Government calculations are wrong. I wish to state that these new buses *will* pay tolls and taxes as the Hyderabad concern is paying there. In spite of all that, this concern will bring in about 10 to 15 per cent. Hyderabad is now making an income of 10 per cent. after paying tolls and other charges.

The same remark applies to water transport also. I hope between Trivandrum and Cochin there will be a really efficient water transport for the purpose of transporting the industrial and agricultural products which will come to fruition in the State very soon. That is all I wish to say in regard to the question of transport.

Mr. Rengaswami Aiyar has spoken in great detail about smuggling in the Northern Frontier. I expect the fullest co-operation from all members of this House in the matter of eradicating that very deep-seated and long-standing evil.

In regard to our income-producing departments there has been a certain amount of overlapping and wasting of time and energy. For instance, in the collection of Excise revenue the Excise Officer has to

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proceed to the Revenue Officer for the collection of his revenue. Different departments find it difficult to collect their revenue without the help of the Revenue Department. The result is sometimes lack of harmony and concerted action between the various departments. Government have therefore come to the conclusion that in the matter of the collection of income tax, customs, excise, land revenue etc., the different departments will hereafter work in the co-ordination. A scheme to bring that idea into operation will be shorthy placed before you. In regard to income tax, I am able to tell you that a very senior and experienced official, Mr. M. P. Joseph, will work under Mr. George with the special mandate to look into the question of income tax collection and evasion of payment of income tax. We are going to get an expert from British India for six months to look into the working of our Income Tax Department. British India is facing the same problem as we are facing. They are having the same difficulties. The officer that we are getting has had a large experience in dealing with the measures adopted in British India and we are likely to profit very much from his experience.

There are only two more matters which I wish to refer to. I see that there is some criticism with regard to two of the activities of Government, *viz.*, the Tourists' Department or the State Guests Department and the Game Warden. I dare say we shall all hear a great deal about these two departments in the course of the debates later on. I want to invite your attention to what the Ceylon Government is doing and what practically every European Government is doing. People here are not fully aware that practically all countries in Continental Europe are living on their tourists. In many lands their agriculture and industries have a place not higher than "tourism" in the scheme of national economy. Switzerland, South France, Italy and Germany are largely living on their tourists. Ceylon has started a big scheme for inviting tourists. What we propose to do is more or less on the same lines. In other words we want to make touring a source not only of amusement and relaxation to the tourists but a source of trade and income to ourselves. For that purpose, apart from those guests who come as the guests of His Highness the Maharaja, the visits of the other tourists will be put on a commercial accounting basis. The money spent on them will be put on the debit side and the income derived on the credit side. I am glad to tell you that due to the efforts made and the propoganda initiated by no less exalted personages than their Highnesses, many tourists from all over the world are anxious to come here. We have received enquiries from Messrs. Thos. Cook and Son saying that in October or November there will be many guests visiting Travancore. And other agencies are making similar enquiries. What we propose to do is to divide the Guests Department into two sections, one the State's side or the honorific side, and the other the commercial side which will deal with the ordinary tourists. You will then have no reason to be dissatisfied. The game sanctuary and the show places of Travancore will then be a source of profit to the State.

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Finally I come to the University scheme. As you have seen the University scheme is practically a *fait accompli* and it is hoped that all doubts and anxieties on the part of all institutions will vanish when the matters are fully explained to them and every one in the House will respond to the call that has been made and will see that a complete change of the outlook in education is necessary. The whole of our industrial future is pivoted upon the reorganisation of our education. We cannot solve our agricultural and industrial problems without an intellectual reorientation and a realistic and practical education which will, at the same time, not lose sight of the cultural aspect.

I have done. I am sorry to have been so long but it occurred to me that these topics needed clarification. I thank you for the patience and indulgence with which you have listened to me (*applause*).

The House adjourned at 12.44 P. M.

The Assembly met at 2. P. M. with the President in the Chair.

PRESIDENT : I have very great pleasure in announcing that the Government of His Highness the Maharaja have approved of the election of Mr. T. M. Varughese as the Deputy President of the Assembly.

QUESTIONS & ANSWERS.

Bridge at Aroor.

18 *MR. M. L. JANARDANA PILLAI (*Nominated*) : Will the Government be pleased to state whether there is any proposal before Government for the construction of a bridge at Aroor ?

MR. G. B. E. TRUSCOTT (*Chief Engineer, Roads, Buildings and Irrigatio*) : The question was considered and dropped.

Staff of the Public Service Commissioner.

19 *MR. T. T. KESAVAN SASTRI (*Nominated*) : Will the Government be pleased to lay on the table a statement, by caste, of the staff of the Public Service Commissioner ?

RAO BAHADUR RAJYASEVANIRATA DR. N. KUNJAN PILLAI (*Chief Secretary to Government*) : A statement, by caste, of the staff is laid on the table.

Appointments made by the Public Service Commissioner.

20 *MR. T. T. KESAVAN SASTRI : Will the Government be pleased to lay on the table a statement, by caste, of persons appointed, till now, (17-10-12) by the Public Service Commissioner ?

RAO BAHADUR RAJYASEVANIRATA DR. N. KUNJAN PILLAI: A † statement by community is laid on the table.

Registry of land on concessional terms.

21 *MR. T. T. KESAVAN SASTRI : Will the Government be pleased to state the extent of *puduval* lands in the Todupuzha taluk assigned on concessional registry from Chingam 1108 to Medam 1112 ?

MR. K. GEORGE (*Land Revenue and Income Tax Commissioner*) : 49·52 acres.

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*Vide appendix I—page 86

†Vide appendix II—page 87.

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